PT Ramayana Lestari Sentosa Tbk

Financial statements with independent auditors' report
years ended December 31, 2011 and 2010

These financial statements are originally issued in Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2011 AND 2010

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ERNST & YOUNG

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This report is originally issued in Indonesian language.

Independent Auditors' Report

Report No. RPC-2021/PSS/2012

The Shareholders, Boards of Commissioners and Directors
PT Ramayana Lestari Sentosa Tbk

We have audited the statements of financial position of PT Ramayana Lestari Sentosa Tbk (the "Company") as of December 31, 2011 and 2010, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Ramayana Lestari Sentosa Tbk as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with Indonesian Financial Accounting Standards.

As disclosed in Note 2 to the financial statements, the Company has implemented certain revised Statements of Financial Accounting Standards, which became effective as of January 1, 2011 and are applied prospectively and retrospectively.

Purwantono, Suherman & Surja

Peter Surja, CPA
Public Accountant Registration No. AP.0686

March 16, 2012

The accompanying financial statements are not intended to present the financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010
(Expressed in Millions of Rupiah, Except Par Value per Share)

	Notes	2011	2010
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2b,2q,4, 26,28	927,030	796,184
Time deposits	2q,5,26,28	119,700	54,821
Short-term investments	2q,6,26,28	228,831	234,938
Accounts receivable - third parties	2q,28		
Trade		4,227	2,415
Others	26	14,567	17,745
Inventories	2d,3,8	715,843	729,977
Prepaid expenses and advances		17,766	21,498
Current portion of long-term rent	2c,2f,2g,7a, 10a,17,21	105,290	82,787
Total Current Assets		2,133,254	1,940,365
NON-CURRENT ASSETS			
Advances for purchases of property and equipment		1,265	1,265
Property and equipment - net of accumulated depreciation of Rp1,182,282 in 2011 and Rp1,013,948 in 2010	2e,2f,3, 9,17	1,145,447	1,152,808
Long-term rent - net of current portion and impairment loss	2c,2f,2g, 7a,10a,17,21	440,697	351,522
Security deposits	2c,7b,10b	28,720	26,480
Other non-current assets	2f,2q,28	9,660	13,542
Total Non-Current Assets		1,625,789	1,545,617
TOTAL ASSETS	25	**3,759,043**	**3,485,982**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010
(Expressed in Millions of Rupiah, Except Par Value per Share)

	Notes	2011	2010
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable - third parties	2q,28		
Trade	11	691,049	603,190
Others	26	18,106	21,002
Accrued expenses	2q,28	27,236	20,632
Taxes payable	12	44,077	35,948
Total Current Liabilities		780,468	680,772
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	2k,3,12	1,613	7,436
Liabilities for employees' benefits	2n,3,20	135,565	117,338
Total Non-Current Liabilities		137,178	124,774
Total Liabilities	25	917,646	805,546
EQUITY			
Share capital - Rp50 par value per share			
Authorized - 28,000,000,000 shares			
Issued and fully paid -			
7,096,000,000 shares	13	354,800	354,800
Additional paid-in capital - net	2h	117,570	117,570
Retained earnings:			
Appropriated	14	60,000	55,000
Unappropriated		2,304,782	2,145,074
Other comprehensive income	2q,6	4,245	7,992
Total Equity		2,841,397	2,680,436
TOTAL LIABILITIES AND EQUITY		**3,759,043**	**3,485,982**

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2011 and 2010
(Expressed in Millions of Rupiah, Except Basic Earnings per Share)

	Notes	2011	2010
REVENUES	2i,15,25		
Outright sales		4,467,995	4,258,281
Consignment sales	2c,7c	2,129,119	1,802,130
Cost of consignment sales		(1,510,956)	(1,285,243)
Commission on consignment sales		618,163	516,887
Total Revenues		**5,086,158**	**4,775,168**
COST OF OUTRIGHT SALES	2i,16,25	3,315,084	3,116,277
GROSS PROFIT	25	**1,771,074**	**1,658,891**
Operating expenses	2c,2i,2n, 9,10,12,17, 20,21	(1,407,014)	(1,288,061)
Other operating income	2j,18	13,561	5,361
Other operating expense	2j,19	(39)	(11,069)
INCOME FROM OPERATIONS	25	**377,582**	**365,122**
Financing Income		56,673	46,705
INCOME BEFORE INCOME TAX	25	**434,255**	**411,827**
INCOME TAX EXPENSE (BENEFIT)	2k,3,12		
Current		61,505	60,129
Deferred		(4,838)	(3,054)
Income Tax Expense - Net	25	**56,667**	**57,075**
INCOME FOR THE YEAR	25	**377,588**	**354,752**
OTHER COMPREHENSIVE INCOME			
Net changes in fair value of available-for-sale financial asset	2q	(4,732)	15,513
Income tax relating to components of other comprehensive income		985	(1,995)
OTHER COMPREHENSIVE INCOME FOR THE YEAR AFTER TAX		**(3,747)**	**13,518**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**373,841**	**368,270**
BASIC EARNINGS PER SHARE	2o,23	**53.21**	**50.12**

These financial statements are originally issued in Indonesian language.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2011 and 2010
(Expressed in Millions of Rupiah)

	Notes	Issued and Fully Paid Share Capital	Additional Paid-in Capital - Net	Share Options	Retained Earnings		Available-for-Sale Financial Assets	Total Equity
					Appropriated	Unappropriated		
Balance, January 1, 2010		**353,200**	**91,004**	**12,018**	**50,000**	**1,971,922**	**(5,526)**	**2,472,618**
Income for the year		-	-	-	-	354,752	-	354,752
Fair value adjustment		-	-	-	-	-	13,518	13,518
Appropriation for general reserve	14	-	-	-	5,000	(5,000)	-	-
Cash dividend declaration	14	-	-	-	-	(176,600)	-	(176,600)
Exercise of share options	22	1,600	26,566	(12,018)	-	-	-	16,148
Balance, December 31, 2010		**354,800**	**117,570**	**-**	**55,000**	**2,145,074**	**7,992**	**2,680,436**
Income for the year		-	-	-	-	377,588	-	377,588
Fair value adjustment		-	-	-	-	-	(3,747)	(3,747)
Appropriation for general reserve	14	-	-	-	5,000	(5,000)	-	-
Cash dividend declaration	14	-	-	-	-	(212,880)	-	(212,880)
Balance, December 31, 2011		**354,800**	**117,570**	**-**	**60,000**	**2,304,782**	**4,245**	**2,841,397**

The accompanying notes form an integral part of these financial statements.

PT RAMAYANA LESTARI SENTOSA Tbk
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(Expressed in Millions of Rupiah)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from sales		6,589,278	6,066,639
Cash payments to suppliers		(5,373,023)	(5,077,334)
Cash payments for salaries and employees' welfare		(442,391)	(433,421)
Payments for income taxes		(52,467)	(51,127)
Cash receipts from:			
Interest income		56,686	44,366
Other operating activities		14,028	11,279
Net Cash Provided by Operating Activities		**792,111**	**560,402**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of short-term investments	6	203,518	147,596
Proceeds from sale of property and equipment	9	2,496	1,478
Additions in long-term rent		(230,841)	(90,894)
Placement in short-term investments		(193,728)	(166,144)
Acquisitions of property and equipment	9	(163,023)	(244,852)
Withdrawal of (placement in) time deposits - net		(64,879)	92,279
Additions in security deposits		(2,203)	(1,927)
Advances for purchases of property and equipment		-	(1,265)
Net Cash Used in Investing Activities		**(448,660)**	**(263,729)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividends	14	(212,880)	(176,600)
Proceed from the exercise of share options by the employees		-	24,160
Net Cash Used in Financing Activities		**(212,880)**	**(152,440)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**130,571**	**144,233**
Effect of changes in foreign exchange rate on cash and cash equivalents		275	(3,499)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		796,184	655,450
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**927,030**	**796,184**

1. GENERAL

a. Company's Establishment

PT Ramayana Lestari Sentosa Tbk (the "Company") was established in Indonesia based on Notarial Deed No. 60 dated December 14, 1983 of R. Muh. Hendarmawan, S.H. The Deed of Establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-5877.HT.01.01.TH.85 dated September 17, 1985 and was published in the Addendum No. 589 of the State Gazette No. 9 dated October 3, 1985. The Company's Articles of Association has been amended several times, the latest amendment to the Company's Articles of Association as notarized under Notarial Deed No. 13 dated May 30, 2008 of Rianto, S.H., pertains to the compliance with stipulation under Law No. 40 Year 2007 regarding "Corporate Law". The latest amendment of the Articles of Association was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-29866.AH.01.02.Tahun 2009 dated July 2, 2009.

The Company started its commercial operations in 1983. According to Article 3 of the Company's Articles of Association, the Company operates a chain of department stores, which sell various items such as clothes, accessories, bags, shoes, cosmetics and daily needs. In 2011, the Company closed its 2 stores and opened 3 new stores. As of December 31, 2011, the Company operates several stores known as "Ramayana" (97 stores), "Robinson" (7 stores) and "Cahaya" (3 stores), that are located in Jakarta, Java (West Java, East Java and Central Java), Sumatera, Bali, Kalimantan, Nusa Tenggara, Sulawesi and Papua. The Company's head office is located at Jl. K.H. Wahid Hasyim No. 220 A-B, Jakarta 10250.

The Company's majority shareholder is PT Ramayana Makmursentosa who has 55.88% ownership in the Company.

b. Company's Public Offering

On June 26, 1996, the Company received the effective statement from the Chairman of the Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") in its Decision Letter No. 1038/PM/1996 to offer its 80 million shares to the public with par value of Rp500 (full amount) per share through the Indonesia Stock Exchange (formerly Jakarta Stock Exchange) at offering price of Rp3,200 (full amount) per share. Since then, the Company has conducted the following capital transactions:

1. On September 15, 1997, the Company issued bonus shares, whereby each shareholders holding one share was entitled to receive one new share. The outstanding shares became 700,000,000 shares.
2. On June 8, 2000, the Company changed the par value per share from Rp500 (full amount) per share to Rp250 (full amount) per share. The outstanding shares became 1,400,000,000 shares.
3. On June 18, 2004, the Company changed the par value per share from Rp250 (full amount) per share to Rp50 (full amount) per share. The outstanding shares became 7,000,000,000 shares.
4. On July 4, 2005, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,032,000,000 shares.
5. On October 2, 2006, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,064,000,000 shares.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

1. GENERAL (continued)

b. Company's Public Offering (continued)

Since then, the Company has conducted the following capital transactions: (continued)

6. On July 28, 2010, the Company issued 32,000,000 shares in connection with the exercise of share options by the employees (ESOP). The outstanding shares became 7,096,000,000 shares (Notes 13 and 22).

The Company has listed all of its shares on the Indonesia Stock Exchange.

c. Boards of Commissioners and Directors and Number of Employees

As of December 31, 2011 and 2010, the composition of the Company's boards of commissioners and directors are as follows:

Board of Commissioners		Board of Directors	
Paulus Tumewu	- President Commissioner	Agus Makmur	- President Director
Muhammad Iqbal	- Commissioner	Suryanto	- Director
Koh Boon Kim	- Independent Commissioner	Kismanto	- Director
Kardinal Alamsyah Karim	- Independent Commissioner	Gantang Nitipranatio	- Director
		Setyadi Surya	- Director

As of December 31, 2011 and 2010, the composition of the audit committee are as follows:

Chairman:	- Kardinal Alamsyah Karim
Members:	- Ruddy Hermawan Wongso
	- Tonang Sendjaja

The establishment of the Company's audit committee has complied with BAPEPAM-LK Rule No. IX.I.5.

Salaries and other compensation benefits incurred for the Company's commissioners and directors amounted to Rp7.34 billion in 2011 and Rp7.15 billion in 2010. As of December 31, 2011 and 2010, the Company had 16,693 and 17,744 employees, respectively (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Financial Statements

The Company's financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements of Financial Accounting Standards ("PSAK") and Interpretations to Financial Accounting Standards ("ISAK") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants, and Rule No. VIII.G.7 Attachment of Chairman of BAPEPAM's decision No. KEP-06/PM/2000 dated March 13, 2000 on the Regulations and the Guidelines on Financial Statement Presentation and Disclosures issued by Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK"). As disclosed further in the relevant succeeding notes, several amended and published accounting standards were adopted effective January 1, 2011 prospectively or retrospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Preparation of the Financial Statements (continued)

The presentation of Company's financial statements are prepared in accordance with PSAK No. 1 (Revised 2009), "Presentation of Financial Statements".

PSAK No. 1 (Revised 2009) regulates the presentation of financial statements as to, among others, the objective, components of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and liabilities, comparative information and consistency, and introduces new disclosures, such as key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

The adoption of PSAK No. 1 (Revised 2009) has significant impacts on the related presentation and disclosures in the Company's financial statements.

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those made in the preparation of the Company's financial statements for the year ended December 31, 2010, except for the adoption of several amended SAK effective January 1, 2011 as disclosed in this Note.

The Company's financial statements, except the statements of cash flows, have been prepared using the accrual basis, and the measurement basis used is historical cost, except for certain accounts which are measured on the basis as described in the relevant notes herein.

The statements of cash flows are prepared based on the direct method by classifying cash flows on the basis of operating, investing and financing activities.

Effective January 1, 2011, the Company has adopted PSAK No. 2 (Revised 2009), "Statement of Cash Flows", which superseded PSAK No. 2 with the same title. The implementation of PSAK No. 2 (Revised 2009) does not have significant impact in the Company's financial statements.

The financial reporting period of the Company is January 1 - December 31.

The reporting currency used in the preparation of the financial statements is the Indonesian Rupiah.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks and time and on call deposits with maturities of 3 (three) months or less at the time of placement and not pledged as collateral.

c. Transactions with Related Parties

Effective January 1, 2011, the Company have adopted PSAK No. 7 (Revised 2010), "Related Party Disclosures", which superseded PSAK No. 7 (Revised 1994), "Related Party Disclosures". This revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the Company's financial statements. The adoption of the revised PSAK has impact on the related disclosures in the Company's financial statements.

A party is considered to be related to the Company if the party:
a. has control or joint control over the Company;
b. has significant influence over the Company;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Transactions with Related Parties (continued)

A party is considered to be related to the Company if the party: (continued)

c. is a member of the key management personnel of the Company or of a parent of the Company;
d. is a member of the same group with the Company (which means that each parent, subsidiary and fellow subsidiary is related to each other);
e. is an associate or joint venture of the Company (or an associate or joint venture of a member of a group of which the Company are a member);
f. together with the Company, is a joint venture of the same third party;
g. is a joint venture of an associate of the Company or is an associate of a joint venture of the Company;
h. is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
i. is controlled or jointly controlled by the person identified in (a-c above); and
j. has significant influence by the person identified in (a above).

Transactions with related parties are made based on terms agreed by the parties, in which such terms may not be the same as those of the transactions between third parties.

All significant transactions and balances with related parties are disclosed in the relevant notes to the Company's financial statements.

d. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the moving-average method which includes all costs that occur to get these inventories to the current location and conditions. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. Allowance for inventory obsolescence is provided based on a review of the condition of the inventories at the end of the year.

e. Property and Equipment

Direct ownership

Property and equipment, except land, are stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in profit or loss as incurred.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	10 - 20
Building renovations and improvements	4 - 8
Store equipment	4 - 8
Transportation equipment	4
Office equipment	4 - 8

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Property and Equipment (continued)

Direct ownership (continued)

Land is stated at cost and not amortized.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Costs incurred to acquire or renew the license of the landrights are deferred and amortized over the legal terms of the landrights or the economic lives of the land, whichever period is shorter.

Construction in progress

Construction in progress is stated at cost and presented as part of property and equipment. The accumulated cost will be reclassified to the appropriate property and equipment account when construction is completed and the asset is ready for its intended use.

f. Impairment of Non-Financial Assets

Effective January 1, 2011, the Company prospectively adopted PSAK No. 48 (Revised 2009), "Impairment of Assets".

PSAK No. 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amounts. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this revised PSAK requires the entity to recognize an impairment loss. This revised PSAK also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Company conducts an evaluation to determine whether there is an indication of events or changes in circumstance that may indicate that the carrying amount of its assets may not be fully recovered at each reporting date. If any such indication exists, the Company is required to determine the estimated recoverable amount of all its assets and recognize the impairment in asset value as a loss in the statement of comprehensive income of the current year.

Management believes that there is no event or change in circumstances that may indicate any impairment in the value of its non-financial assets as of December 31, 2011 and 2010.

g. Leases

The Company adopts PSAK No. 30 (Revised 2007), "Leases". Based on PSAK No. 30 (Revised 2007), the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. Under this revised PSAK, leases that transfer substantially to the lessee all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Moreover, leases which do not transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as operating leases.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Leases (continued)

The Company as a lessee

Under an operating lease, the Company recognizes lease payments as an expense on a straight-line basis over the lease term. The current portion of the long-term rent is classified as current assets and presented in "Current Portion of Long-term Rent" account.

The Company as a lessor

Under an operating lease, the Company shall present assets subject to operating leases in its statements of financial position according to the nature of the asset. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents, if any, are recognized as revenue in the periods in which they are earned. Lease income from operating leases shall be recognized as income on a straight-line basis over the lease term.

h. Additional Paid-in Capital - Net

Additional paid-in capital - net represents the difference between the offering price and the par value of share capital, net of share issuance costs.

i. Recognition of Revenues and Expenses

Effective January 1, 2011, the Company adopted PSAK No. 23 (Revised 2010), "Revenue". This revised PSAK identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. The adoption of this revised PSAK has no significant impact in the Company's financial statements.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized. Revenues from outright and consignment sales are recognized when the goods are sold at the sales counter. Revenues from consignment sales are recognized at the amounts of the sales of consignment goods to customers, while the related costs are recognized at the amounts due to consignors as deduction to revenues.

Expenses are recognized as incurred.

j. Foreign Currencies Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At the statements of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah by taking the average of transaction exchange rate by Bank Indonesia as of December 30, 2011 and December 31, 2010, respectively. Resulting gains or losses are credited or charged to operations of the current year.

As of December 30, 2011 and December 31, 2010, the exchange rates used are as follows (full amount):

	2011	2010
United States Dollar	9,068	8,991
Singapore Dollar	6,974	6,981

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carry forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at statement of financial position date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company, when the result of the appeal is determined.

l. Stock Based Compensation

The Company adopts PSAK No. 53, “Accounting of Stock-Based Compensation” which provides for the accounting of the fair value of an employee stock option and similar equity instruments. Compensation cost is accrued at the time of grant option based on the fair value of the stock option on the grant date.

m. Segment Reporting

Effective January 1, 2011, the Company’s applied PSAK No. 5 (Revised 2009), “Operating Segments”, which superseded PSAK No. 5 (Revised 2000), “Segment Reporting”. The revised PSAK requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages in and the economic environments in which it operates. The adoption of the revised PSAK has no significant impact in the Company’s financial statements.

A segment is a distinguishable component of the Company that is engaged either in providing certain products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

n. Liabilities for Employees’ Benefits

The Company adopts PSAK No. 24 (Revised 2004) “Accounting for Retirement Benefit Cost” which regulates the accounting and disclosure requirements of retirement benefit cost for employees’ benefits in accordance with Labor Law No. 13/2003 dated March 25, 2003 (“UU No. 13/2003”). The revised PSAK No. 24 provides the accounting and disclosures of employee benefits including, among others, post-employment benefits and termination benefits.

Based on UU No. 13/2003, the Company is required to pay the severance, gratuity and compensation pay if certain conditions in the UU No. 13/2003 are met. Under PSAK No. 24 (Revised 2004), the cost of providing employee benefits under UU No. 13/2003 is determined using the “Projected Unit Credit” actuarial valuation method. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded 10% of the present value of defined benefit obligation at that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Liabilities for Employees' Benefits (continued)

These gains or losses are recognized over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or change in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

o. Earnings per Share ("EPS")

In accordance with PSAK No. 56, "Earnings per Share", basic earnings per share are computed based on the weighted average number of shares outstanding during the year.

EPS is computed by dividing income for the year with the weighted-average number of shares outstanding during the year. The weighted-average numbers of shares outstanding are 7,096,000,000 shares and 7,077,589,041 shares in 2011 and 2010, respectively.

p. Provisions

Effective January 1, 2011, the Company adopted PSAK No. 57 (Revised 2009), "Provisions, Contingent Liabilities, and Contingent Assets". This revised PSAK is to be applied prospectively and provides that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets, and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand the nature, timing and amount related to the information. The adoption of the revised PSAK has no significant impact in the Company's financial statements.

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

q. Financial Instruments

Effective January 1, 2010, the Company adopted PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" ("PSAK No. 50") and PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" ("PSAK No. 55"), which superseded PSAK No. 50, "Accounting for Investments in certain Securities", and PSAK No. 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

PSAK No. 50 (Revised 2006) prescribes the requirements for the presentation of financial instruments and information that should be disclosed in the financial statements, whereas PSAK No. 55 (Revised 2006) prescribes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others. These revised PSAKs have been applied prospectively. The transaction costs of those already existing contracts at the time these standards were adopted were not considered in the calculation of effective interest of such contracts.

The initial adoption of the above revised PSAK did not result in transition adjustment that should be recorded in the Company's financial statements as of January 1, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

i. Financial Assets

Initial recognition

Financial assets within the scope of PSAK No. 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge.

On January 1, 2010, the Company did not have financial assets other than cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, security deposits, other non-current assets - loan to employees and short term investment. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the classification of those assets at the end of each financial period.

Financial assets are recognized initially at fair value plus, and in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Derivative assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the Company's statements of financial position at fair value with gains or losses recognized as profit or loss.

The Company did not have financial assets at fair value through profit or loss as of December 31, 2011 and 2010.

(b) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest rate method, and gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company have cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, security deposits and other non-current assets - loan to employees that are classified under this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

i. Financial Assets (continued)

Subsequent measurement (continued)

The subsequent measurement of financial assets depends on their classification as follows: (continued)

(c) Held-to-maturity ("HTM") investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Gains or losses are recognized in the profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

The Company did not have any HTM investments as December 31, 2011 and 2010.

(d) Available-For-Sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholders' equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in equity will be reclassified to profit or loss as a reclassification adjustment.

The Company have short-term investments that are classified under this category.

Derecognition

A financial asset, or where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the financial asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

i. Financial Assets (continued)

Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new assets obtained less any new liabilities assumed; and (ii) any cumulative gain or loss which had been recognized in the shareholders' equity, should be recognized as profit or loss

Impairment of Financial Assets

At each statement of financial position date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan or receivable financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is directly recognized through profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

i. Financial Assets (continued)

Impairment of Financial Assets (continued)

Financial assets carried at amortized cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced (reversed) by adjusting the allowance account. The recovery should not lead to the carrying amount of the asset exceeding its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized as profit or loss. If a future write-off is later recovered, the recovery is recognized as profit or loss

AFS financial assets

In the case of an equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is objective evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statements of comprehensive income - is reclassified from equity to comprehensive income. Impairment loss on equity investment is not reversed through the statements of comprehensive income; increases in its fair value after impairment is recognized in equity.

In the case of a debt instrument classified as an AFS financial asset, impairment is assessed based on the same criteria as financial asset carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the “Financing Income” account in the statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statements of comprehensive income, the impairment loss is reversed through the statements of comprehensive income.

ii. Financial Liabilities

Initial recognition

Financial liabilities within the scope of PSAK No. 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company’s financial liabilities include accounts payable - trade, accounts payable - others and accrued expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

ii. Financial Liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized as profit or loss.

- Loan and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At the end of the reporting period, the accrued interest is recorded separately from the respective principal loans as part of current liabilities. Gains or losses are recognized through profit or loss when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in profit or loss.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Financial Instruments (continued)

iv. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transaction; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

Credit risk adjustment

The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risk associated with the instrument is taken into account.

v. Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

r. Adoption of Other Revised Accounting Standards

Other than the revised accounting standards previously mentioned above, the Company also adopted the following revised accounting standards on January 1, 2011, which are considered relevant to the Company's financial statements but did not have significant impact except for the related disclosures:

- PSAK No. 8 (Revised 2009), "Events after the Reporting Period";
- PSAK No. 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors".

s. Revised Accounting Standards that have been Published but not yet Effective

Accounting standard revised and issued but not yet effective for 2011 which considered relevant to the Company's financial statements are as follows:

Effective on or after January 1, 2012:

- PSAK No. 10 (Revised 2010) "The Effects of Changes in Foreign Exchange Rates", prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

- PSAK No. 16 (2011) "Property, Plant and Equipment", prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Revised Accounting Standards that have been Published but not yet Effective (continued)

Effective on or after January 1, 2012: (continued)

- PSAK No. 18 (Revised 2010) "Accounting and Reporting by Retirement Benefit Plans", establish the accounting and reporting by the plan to all participants as a group. This Standard complements PSAK No. 24 (Revised 2010), "Employee Benefits".

- PSAK No. 24 (Revised 2010) "Employee Benefits", establish the accounting and disclosures for employee benefits.

- PSAK No. 30 (2011) "Leases", prescribes, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases which applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets.

- PSAK No. 46 (Revised 2010) "Accounting for Income Taxes", prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the statements of financial position; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010) "Financial Instruments: Presentation", establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

- PSAK No. 55 (2011) "Financial Instruments: Recognition and Measurement", establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in PSAK 50 (Revised 2010), "Financial Instruments: Presentation". Requirements for disclosing information about financial instruments are in PSAK 60, "Financial Instruments: Disclosures".

- PSAK No. 56 (Revised 2011) "Earnings per Share", prescribed principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same period and between different reporting periods for the same entity.

- PSAK No. 60 "Financial Instruments: Disclosures", requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period and how the entity manages those risks.

- ISAK 15 "PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010), "Employee Benefits".

- ISAK 20 "Income Taxes-Changes in the Tax Status of an Entity or its Shareholders", prescribes how an entity should account for the current and deferred tax consequences of a change in tax status of entities or its shareholders.

The Company is presently evaluating and has not determined the effects of these revised and new Standards and Interpretations on its financial statements.

3. SOURCE OF ESTIMATION UNCERTAINTY

Judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effects on the amounts recognized in the Company's financial statements:

Determination of Functional Currency

The Company's functional currency are currency from primary economic environment whereas the Company conduct business. The functional currency are the currency that has impact on revenue and expenses from product given.

Classification of Financial Assets and Financial Liabilities

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2006). Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2q.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below. The Company based its assumptions and estimates on parameters available when the Company's financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Employee Benefits

The determination of the Company's employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries and the Company's management in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company assumptions with effects exceeding 10% of defined benefit obligation is deferred and amortized on a straight-line basis over the expected average remaining working lives of the employee. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the actual results or significant changes in the Company assumptions may materially affect its estimated liabilities for employee benefits of Rp135.57 billion as of December 31, 2011 and Rp117.34 billion as of December 31, 2010. Further details are disclosed in Note 20.

3. SOURCE OF ESTIMATION UNCERTAINTY (continued)

Estimates and Assumptions (continued)

Depreciation of Property and Equipment

The costs of property and equipment, except land, are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property and equipment to be within 4 to 20 years. These are common life expectancies applied in the industries where the Company conduct its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of the Company's property and equipment amounted Rp1.15 trillion as of December 31, 2011 and 2010. Further details are disclosed in Note 9.

Income Tax

The Company recognize liabilities for corporate income tax based on estimation of whether additional corporate income tax will be due.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimates are required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Allowance for Obsolescence and Decline in Values of Inventories

Allowance for obsolescence and decline in values of inventories is estimated based on the best available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to sell. The allowance are re-evaluated and adjusted as additional information received affects the amount estimated. The carrying amount of the Company's inventories before allowance for obsolescence and decline in values amounted Rp715.84 billion as of December 31, 2011 and Rp729.98 billion as of December 31, 2010. Further details are disclosed in Note 8.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	17,362	16,856
Cash in banks - third parties:		
Rupiah		
PT Bank Danamon Indonesia Tbk	118,098	16,941
PT Bank Negara Indonesia (Persero) Tbk	108,203	16,951
Citibank N.A., Indonesia	61,809	17,018
PT Bank Central Asia Tbk	8,061	3,040
PT Bank Mandiri (Persero) Tbk	5,512	1,200
PT Bank Rakyat Indonesia (Persero) Tbk	1,432	318
PT Bank Internasional Indonesia Tbk	1,065	625
Deutsche Bank AG, Indonesia	914	11,839
United States Dollar		
Deutsche Bank AG, Indonesia (US$1,233,652 in 2011 and US$ 39,819 in 2010)	11,187	358
Others (below Rp1 billion each) (US$70 in 2011 and US$4,779 in 2010)	1	43
Singapore Dollar		
Deutsche Bank AG, Indonesia (Sin$126,615 in 2011 and Sin$126,674 in 2010)	883	884
Sub-total	317,165	69,217
Cash equivalents (time and on call deposits) - third parties:		
Rupiah		
PT Bank UOB Indonesia	202,000	45,000
PT Bank Central Asia Tbk	142,800	75,000
PT Bank Bukopin Tbk	125,500	-
PT Bank Rakyat Indonesia (Persero) Tbk	30,800	12,200
PT Bank CIMB Niaga Tbk	23,400	113,300
PT Bank Internasional Indonesia Tbk	15,700	115,400
PT Bank Mandiri (Persero) Tbk	11,000	20,000
PT Bank Danamon Indonesia Tbk	10,000	126,800
Citibank N.A., Indonesia	10,000	93,700
PT Bank Negara Indonesia (Persero) Tbk	-	17,400
Deutsche Bank AG, Indonesia	-	14,000

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

4. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents consist of: (continued)

	2011	2010
Cash equivalents (time and on call deposits) - third parties: (continued)		
United States Dollar		
UBS AG, Singapore (US$2,349,259 in 2011 and US$5,913,190 in 2010)	21,303	53,165
Credit Suisse AG, Singapore (US$2,685,567)	-	24,146
Sub-total	592,503	710,111
Total	**927,030**	**796,184**

The annual interest for time and on call deposits range as follows:

	2011	2010
Rupiah	2.60% - 7.75%	4.00% - 8.25%
United States Dollar	0.15%	0.15%

There are no cash and cash equivalents balances to a related party.

5. TIME DEPOSITS

This account represents Rupiah and United States Dollar time deposits placed at the following third parties banks:

	2011	2010
Rupiah		
PT Bank UOB Indonesia	41,500	-
United States Dollar		
Credit Suisse AG, Singapore (US$5,127,316 in 2011 and US$2,612,701 in 2010)	46,495	23,491
UBS AG, Singapore (US$3,018,761 in 2011 and US$3,009,558 in 2010	27,374	27,059
Deutsche Bank AG, Singapore (US$477,605 in 2011 and US$475,021 in 2010)	4,331	4,271
Total	**119,700**	**54,821**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

5. TIME DEPOSITS (continued)

The above time deposits have maturities of six months from the time of placement and not pledged as collateral. The annual interest for the time deposits range as follows:

	2011	2010
Rupiah	5.50% - 8.25%	8.00% - 10.50%
United States Dollar	0.25% - 0.65%	0.35% - 0.36%

There are no time deposits balances to a related party.

6. SHORT-TERM INVESTMENTS

This account represents investments in debt securities in Rupiah and United States Dollar, which are classified as available-for-sale financial assets as follows:

	2011	2010
Debt securities - third parties:		
Rupiah		
Duta Pertiwi Bond V Year 2007	28,560	29,120
Bank Mandiri Subordinated Bond I Year 2009	22,060	22,400
Bank Mega Subordinated Bond Year 2007	20,300	20,620
Agung Podomoro Land Bond I Year 2011	15,206	-
Perusahaan Listrik Negara Bond VII Year 2004	10,900	11,075
Bakrie Telecom Bond I Year 2007	9,158	8,910
BNI Securities Bond I Year 2007	8,080	8,100
Bank CIMB Niaga Subordinated Bond I Year 2010	6,354	6,330
Panin Sekuritas Bond III Year 2007	6,120	6,060
Indofood Sukses Makmur Bond V Year 2009	5,610	5,438
Telkom Bond II Year 2010 Series B	3,240	3,248
Indofood Sukses Makmur Bond IV Year 2007	3,038	3,090
WOM Finance Bond IV Series C Year 2007	-	10,250
Sub-total - Rupiah	138,626	134,641
United States Dollar		
Adaro Indonesia Guaranteed Senior Notes due 2019 (US$3,421,275 in 2011 and US$3,442,774 in 2010)	31,024	30,954
Listrindo Capital B.V. Senior Notes due 2015 (US$2,160,000 in 2011 and US$2,220,000 in 2010)	19,587	19,960
Indosat Palapa Company B.V Guaranteed Notes due 2020 (US$1,680,210)	15,236	-
Majapahit Holding B.V. 2006 Guaranteed Notes due 2016 (US$1,135,000 in 2011 and US$1,147,500 in 2010)	10,292	10,317
Socialist Republic of Vietnam Notes due 2020 (US$693,600 in 2011 and US$700,400 in 2010)	6,290	6,297

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

6. SHORT-TERM INVESTMENTS (continued)

This account represents investments in debt securities denominated in United States Dollar and Rupiah, which are classified as available-for-sale financial assets as follows: (continued)

	2011	2010
Debt securities - third parties: (continued)		
United States Dollar (continued)		
Country Garden Holdings Co., Ltd. Senior Notes due 2017 (US$432,500 in 2011 and US$551,900 in 2010)	3,922	4,962
BLT Finance B.V. Guaranteed Senior Notes due 2014 (US$425,000 in 2011 and US$790,000 in 2010)	3,854	7,103
Majapahit Holding B.V. 2006 Guaranteed Notes due 2011 (US$1,044,400)	-	9,390
Bank CIMB Niaga Subordinated Notes due 2016 (US$1,017,500)	-	9,148
GT 2005 Bonds B.V. Guaranteed Secured Bonds due 2014 (US$240,870)	-	2,166
Sub-total - United States Dollar	90,205	100,297
Total	**228,831**	**234,938**

The total nominal values of the debt securities are US$9,802,000 and Rp133 billion or totaling Rp221.88 billion as of December 31, 2011 and US$10,549,000 and Rp128 billion or totaling Rp222.85 billion as of December 31, 2010.

The annual interest for the debt securities range as follows:

	2011	2010
Rupiah	10.00% - 13.00%	10.01% - 13.00%
United States Dollar	6.75% - 11.25%	6.75% - 11.25%

Proceeds from sales of short-term investments amounted to Rp203.52 billion and Rp147.60 billion in 2011 and 2010, respectively. The related realized gain on the sale of short-term investments amounted to Rp8.03 billion and Rp1.85 billion as of December 31, 2011 and 2010, respectively, presented in “Other Operating Income - Gain on Sale of Short-term Investments - Net” account in the statements of comprehensive income. The changes in fair value on available-for-sale financial assets, net of deferred tax effect, represents unrealized gain amounting to Rp4.25 billion and Rp7.99 billion as of December 31, 2011 and 2010, respectively, and presented in “Other Comprehensive Income” account in the equity section in the statements of financial position.

The bonds as stated above will mature on various date from 2012 until 2020.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

6. SHORT-TERM INVESTMENTS (continued)

The bond credit ratings issued by PT Pemeringkat Efek Indonesia, Fitch Ratings and Standard & Poor's, credit rating agencies, as of December 31, 2011 are as follows:

	Rating
Duta Pertiwi Bond V Year 2007	BBB+
Bank Mandiri Subordinated Bond I Year 2009	AA+
Bank Mega Subordinated Bond Year 2007	A-
Agung Podomoro Land Bond I Year 2011	A
Perusahaan Listrik Negara Bond VII Year 2004	AA+
Bakrie Telecom Bond I Year 2007	BBB+
BNI Securities Bond I Year 2007	A-
Bank CIMB Niaga Subordinated Bond I Year 2010	AA
Panin Securities Bond III Year 2007	A
Indofood Sukses Makmur Bond V Year 2009	AA+
Telkom Bond II Year 2010 Series B	AAA
Indofood Sukses Makmur Bond IV Year 2007	AA+
Adaro Indonesia Guaranteed Senior Notes due 2019	BB+
Listrindo Capital B.V. Senior Notes due 2015	BB-
Indosat Palapa Company B.V Guaranteed Notes due 2020	BB
Majapahit Holding B.V. 2006 Guaranteed Notes due 2016	BB
Socialist Republic of Vietnam Notes due 2020	B+
Country Garden Holdings Co., Ltd. Senior Notes due 2017	BB+
BLT Finance B.V. Guaranteed Senior Notes due 2014	BB+

7. RELATED PARTIES TRANSACTIONS

The Company conducted transactions out of its main business with certain related parties. The details of the related parties transactions, are as follows:

			Percentage to Total Assets/Liabilities	
	2011	**2010**	**2011**	**2010**
Long-term rent (Note 10a)				
PT Jakarta Intiland (a)	265,137	146,913	7.05	4.21
Security deposits (Note 10b)				
PT Jakarta Intiland (b)	2,905	2,905	0.08	0.08

			Percentage to Related Total Income/Expenses	
	2011	**2010**	**2011**	**2010**
Consignment sales (Note 15)				
PT Ramayana Makmursentosa (c)	77,597	61,610	1.53	1.29
Rent expense - net (Note 10b)				
PT Jakarta Intiland (b)	112,498	74,928	8.00	5.82

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

7. RELATED PARTIES TRANSACTIONS (continued)

The details of the related parties transactions, are as follows: (continued)

			Percentage to Related Total Income/Expenses	
	2011	**2010**	**2011**	**2010**
Salaries and employees' welfare (Note 17)				
Commissioners and Directors of PT Ramayana Lestari Sentosa Tbk (d)	7,341	7,146	0.52	0.55
Repairs and Maintenance (Note 10c)				
PT Jakarta Intiland (e)	10,565	10,944	0.75	0.85

a. The Company entered into long-term rental agreements with PT Jakarta Intiland, a related party, as discussed in Notes 10 and 21. Total net book value of these long-term rent amounted to Rp265.14 billion and Rp146.91 billion in 2011 and 2010, respectively.

b. The Company also has agreements with PT Jakarta Intiland, a related party, of which the related rents are payable periodically during the rental periods and the Company has to paid refundable security deposits, as discussed in Note 10b. The outstanding balance of security deposits amounted to Rp2.91 billion as of December 31, 2011 and 2010, are presented as part of "Security Deposits" account in the statements of financial position. Total rent expense incurred from these agreements amounted to Rp112.50 billion and Rp74.93 billion in 2011 and 2010, respectively, and are presented as part of "Operating Expenses - Rent - Net" account in the statements of comprehensive income (Notes 17).

c. The Company's share in the revenue shared with RMS, a shareholder of the Company, from the revenue on family entertainment centre "Zone 2000" amounted to Rp77.60 billion in 2011 and Rp61.61 billion in 2010, are presented as part of revenues in the statements of comprehensive income (Note 15).

d. The Company grants salaries and compensation benefits incurred for the Company's commissioners and directors amounted to Rp7.34 billion in 2011 and Rp7.15 billion in 2010, are presented as part of "Operating Expenses - Salaries and Employees' Welfare" account in the statements of comprehensive income (Note 17).

e. The Company is required to pay service charges under the rental agreements. Total service charges paid to PT Jakarta Intiland, a related party, amounted to Rp10.56 billion in 2011 and Rp10.94 billion in 2010, are presented as part of "Operating Expenses - Repairs and Maintenance" in the statements of comprehensive income (Note 17).

Details of the nature of relationships and types of material transactions with related parties are as follows:

No.	Related Parties	Nature of Relationship	Transaction
1	PT Ramayana Makmursentosa	Has significant influence over influence over the Company	Consignment sales
2	PT Jakarta Intiland	A member of the same Group with the Company	Rent of store and warehouse and service charges
3	Commissioners and Directors of PT Ramayana Lestari Sentosa Tbk	A member of the key management personnel of the Company	Salaries and employees' welfare

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

8. INVENTORIES

This account represents merchandise inventories owned by the Company located in the following regions:

	2011	2010
West Java	169,713	174,758
Sumatera	165,014	167,133
Jakarta	149,432	154,247
East Java	66,236	58,317
Kalimantan	62,972	71,385
Bali and Nusa Tenggara	34,601	33,948
Sulawesi	29,147	28,241
Central Java	27,945	26,241
Papua	10,783	15,707
Total	**715,843**	**729,977**

The above inventories are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$40.78 million (equivalent to Rp369.83 billion) as of December 31, 2011, which in the opinion of Company's management is adequate to cover possible losses arising from such risks.

As of December 31, 2011 and 2010, there are no inventories pledged as collateral.

Based on the review of the condition of inventories at the end of the year, management assessed that there are no indications of decline in value of inventories to warrant any provisions for decline in value.

9. PROPERTY AND EQUIPMENT

Property and equipment consists of:

		Changes during the year		
2011	**Beginning Balance**	**Additions/ Reclassifications**	**Disposals/ Reclassifications**	**Ending Balance**
Cost				
Direct Ownership				
Land	228,288	-	-	228,288
Buildings	613,407	82,780	-	696,187
Building renovations and improvements	558,861	119,404	2,700	675,565
Store equipment	516,916	52,169	-	569,085
Transportation equipment	45,440	663	1,083	45,020
Office equipment	45,966	2,252	-	48,218
Total	2,008,878	257,268	3,783	2,262,363
Constructions in Progress				
Buildings	74,487	9,992	74,487	9,992
Building renovations and improvements	67,006	74,390	97,921	43,475
Store equipment	16,385	23,192	27,678	11,899
Office equipment	-	81	81	-
Total	157,878	107,655	200,167	65,366
Total Cost	2,166,756	364,923	203,950	2,327,729

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT (continued)

Property and equipment consists of: (continued)

2011	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Accumulated Depreciation				
Direct Ownership				
Buildings	192,808	37,121	-	229,929
Building renovations and improvements	363,112	75,952	844	438,220
Store equipment	393,158	46,317	-	439,475
Transportation equipment	31,641	5,542	738	36,445
Office equipment	33,229	4,984	-	38,213
Total Accumulated Depreciation	1,013,948	169,916	1,582	1,182,282
Net Book Value	**1,152,808**			**1,145,447**

2010	Beginning Balance	Changes during the year: Additions/ Reclassifications	Changes during the year: Disposals/ Reclassifications	Ending Balance
Cost				
Direct Ownership				
Land	228,288	-	-	228,288
Buildings	488,975	124,432	-	613,407
Building renovations and improvements	495,270	68,782	5,191	558,861
Store equipment	470,111	49,736	2,931	516,916
Transportation equipment	36,786	10,847	2,193	45,440
Office equipment	39,349	6,617	-	45,966
Total	1,758,779	260,414	10,315	2,008,878
Constructions in Progress				
Buildings	23,446	64,338	13,297	74,487
Building renovations and improvements	31,082	80,536	44,612	67,006
Store equipment	9,690	27,302	20,607	16,385
Office equipment	49	2	51	-
Total	64,267	172,178	78,567	157,878
Total Cost	1,823,046	432,592	88,882	2,166,756
Accumulated Depreciation				
Direct Ownership				
Buildings	160,529	32,279	-	192,808
Building renovations and improvements	305,022	61,408	3,318	363,112
Store equipment	355,711	40,168	2,721	393,158
Transportation equipment	28,663	4,818	1,840	31,641
Office equipment	28,702	4,527	-	33,229
Total Accumulated Depreciation	878,627	143,200	7,879	1,013,948
Net Book Value	**944,419**			**1,152,808**

Depreciation charged to operating expenses amounted to Rp169.92 billion in 2011 and Rp143.20 billion in 2010 (Note 17).

Additions of property and equipment in 2011 mainly represent costs of the additional 3 new stores located in West Java and East Java.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

9. PROPERTY AND EQUIPMENT (continued)

Additions of property and equipment in 2010 mainly represent costs of the additional 5 new stores located in Sumatera, Jakarta, Kalimantan and Papua.

The computation of gain on sale of property and equipment as part of “Other Operating Income - Others - Net” account is as follows:

	2011	**2010**
Proceeds	2,591	1,478
Net book value	2,201	353
Gain	**390**	**1,125**

Land under Rights of Building (“HGB”) status owned by the Company is located in several cities in Indonesia. These HGBs will expire on various dates from 2014 until 2040 and the Company’s management believes that these rights can be renewed upon their expiry.

The details of constructions in progress as of December 31, 2011 are as follows:

	Estimated Percentage of Completion from Financial Point of View	**Accumulated Costs**	**Estimated Completion**
Buildings	20%	9,992	Year 2012
Building renovations and improvements	20-80%	43,475	Year 2012
Store equipment	30-90%	11,899	Year 2012
Total		**65,366**	

Property and equipment, excluding land and construction in progress, are covered by insurance against losses from fire, damage, natural disasters, riots and other risks of US$140.50 million and Rp55.94 billion or with total equivalent amount of Rp1.36 trillion as of December 31, 2011, which in the opinion of Company’s management is adequate to cover possible losses arising from such risks.

As of December 31, 2011 and 2010, the Company’s management believes that there is no other event or change in circumstances that may indicates any impairment in value of its property and equipment.

As of December 31, 2011 and 2010, there are no property and equipment pledged as collateral.

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10. LONG-TERM RENT

(a) This account represents prepaid long-term rent under rental agreements with PT Jakarta Intiland ("JIL"), a related party, and with third parties for its certain stores and warehouses locations, expiring at various dates from 2012 until 2037.

The details of long-term rent as of December 31, 2011 and 2010 are as follows:

	2011	**2010**
Contract value		
PT Jakarta Intiland, a related party	404,805	241,598
Third parties	456,733	436,841
Total	861,538	678,439
Less cumulative expired portion	(306,551)	(235,130)
Unexpired portion	554,987	443,309
Less:		
Impairment loss	(9,000)	(9,000)
Current portion	(105,290)	(82,787)
Long-term portion	**440,697**	**351,522**

The outstanding balance of long-term rent with a related party amounted to Rp265.14 billion and Rp146.91 billion as of December 31, 2011 and 2010, respectively, or representing 7.05% and 4.21% of total assets, respectively.

Additions in contract values of long-term rent amounted to Rp211.44 billion in 2011 and Rp81.64 billion in 2010.

Amortization of long-term rent charged to operations amounted to Rp109.76 billion in 2011 and Rp107.65 billion in 2010 (Note 17).

In connection with the long-term rent agreements with JIL, the existing store and warehouse rentals cover 20 locations as of December 31, 2011. Under these agreements, the Company has the right to use the stores and warehouse locations for a period from 5 years until 8 years. These agreements will expire at various dates from 2012 until 2016, which can be renewed for another periods to be agreed by both parties. Total prepaid rent paid to JIL in 2011 and 2010 amounted to Rp177.30 billion and Rp59.04 billion, respectively.

(b) The Company also has agreements with JIL and third parties, of which the related rents are payable periodically during the rental periods and the Company has to paid refundable security deposits. Rent expenses of Rp154.70 billion in 2011 and Rp108.11 billion in 2010, including rental with a related party of Rp112.50 billion and Rp74.93 billion, respectively, or representing 8.00% and 5.82% of operating expenses, respectively, are presented as part of "Operating Expenses - Rent - Net" account in the statements of comprehensive income (Note 17). As of December 31, 2011 and 2010, the outstanding refundable security deposits paid by the Company to JIL of Rp2.91 billion or representing 0.08% of total assets are presented as part of "Security Deposits" account in the statements of financial position.

(c) The Company is required to pay service charges under the rental agreements. Total service charges of Rp64.13 billion in 2011 and Rp56.63 billion in 2010, including payments to a related party, are presented as part of "Operating Expenses - Repairs and Maintenance" in the statements of comprehensive income (Note 17).

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11. ACCOUNTS PAYABLE - TRADE - THIRD PARTIES

This account represents liabilities to suppliers for purchases of merchandise inventories. The terms of payments to suppliers range from 1 (one) month to 3 (three) months from the date of purchase.

The Company's aging analysis of accounts payable - trade - third parties based on due date is as follows:

	2011	2010
Not yet due	581,490	489,181
1 - 2 months	96,450	103,678
More than 2 months	13,109	10,331
Total	**691,049**	**603,190**

As of December 31, 2011 and 2010, there is no collateral provided by the Company for the accounts payable - trade stated above.

12. TAXES PAYABLE

Taxes payable consists of:

	2011	2010
Income taxes:		
Article 21	805	696
Article 23	11,143	2,524
Article 25 - December	882	510
Article 29	25,132	16,466
Value Added Tax	6,115	15,752
Total	**44,077**	**35,948**

The reconciliation between income before income tax as shown in the statements of comprehensive income and taxable income for the years ended December 31, 2011 and 2010 are presented as follows:

	2011	2010
Income before income tax as shown in the statements of comprehensive income	434,255	411,827
Temporary differences:		
Provision for liabilities for employees' benefits	24,125	19,220
Amortization of long-term rent	5,252	(6,917)
Payment for liabilities for employees' benefits	(5,899)	(3,800)
Depreciation of property and equipment	(3,869)	373
Gain on sale of property and equipment	(136)	(337)
Amortization of prepaid expenses	(124)	2,001
Loss on disposal of property and equipment	-	1,679

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXES PAYABLE (continued)

The reconciliation between income before income tax as shown in the statements of comprehensive income and taxable income for the years ended December 31, 2011 and 2010 are presented as follows: (continued)

	2011	2010
Permanent differences:		
Donations and entertainment	3,575	4,729
Salaries and employees' welfare	1,454	5,407
Tax penalties	307	2,392
Income already subjected to final tax:		
Rent	(91,844)	(85,976)
Interest	(51,222)	(40,914)
Gain on sale of short-term investments	(8,350)	(1,024)
Compensation cost of share options	-	(8,013)
Taxable income	307,524	300,647
Income tax expense - current	**61,505**	**60,129**
Deferred corporate income tax expense (benefit) - effect of temporary differences:		
Depreciation of property and equipment	967	(93)
Gain on sale of property and equipment	34	(500)
Amortization of prepaid expenses	31	84
Provision for liabilities for employees' benefits	(4,557)	(3,855)
Amortization of long-term rent	(1,313)	1,729
Loss on disposal of property and equipment	-	(419)
Income tax benefit - deferred	**(4,838)**	**(3,054)**
Income tax expense - net	**56,667**	**57,075**

The Company's estimated taxable income for the year ended December 31, 2010 was consistent with the Annual Income Tax Return as reported to the Tax Office.

The computation of income tax payable is as follows:

	2011	2010
Income tax expense - current	61,505	60,129
Prepayments of income taxes:		
Article 22	60	35
Article 23	1,449	1,034
Article 25	34,864	42,594
Total prepayments of income taxes	36,373	43,663
Income tax payable - Article 29	**25,132**	**16,466**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXES PAYABLE (continued)

On December 30, 2008, Minister of Finance has issued the Ministry of Finance Regulation No. 238/PMK.03/2008 ("PMK No. 238/2008") regarding the "Guidelines on the Implementation and Supervision on the Tariff Reduction for Domestic Taxpayers in the Form of Public Companies" related with Government Regulation No. 81/2007 dated December 28, 2007. Under PMK No. 238/2008, domestic taxpayers in the form of public companies can avail of tax reduction at 5% lower than the highest income tax rate in the same manner as stated of subsection 1b of Article 17 on Law No. 7 Year 1983 regarding "Income Tax" if the following criteria are met:

1. The total publicly-owned shares is 40% (forty percent) or more than the total paid-up shares and such shares are owned by at least 300 (three hundred) parties.
2. Each of the above-mentioned can only own less than 5% shares from the total paid up shares, and should be fulfilled by the taxpayer within 6 (six) months or 183 (one hundred eighty three) calendar days in 1 (one) fiscal year.
3. The taxpayer should attach the declaration letter (*surat keterangan*) from the Securities Administration Agency (*Biro Administrasi Efek*) on the Annual Corporate Income Tax Return of the taxpayer with the form X.H.1-6 as provided in BAPEPAM-LK Rule No. X.H.1 for each concerned fiscal year.

This regulation is effective on December 30, 2008 and shall be applicable retroactively on January 1, 2008.

The Company has complied with the above criteria. Accordingly, the Company has applied the tax reduction rate in the 2011 and 2010 income tax calculations.

The reconciliation between income tax computed by using applicable tax rate from income before income tax, with income tax expense as shown in the statements of comprehensive income for the years ended December 31, 2011 and 2010 are as follows:

	2011	**2010**
Income before income tax as shown in the statements of comprehensive income	434,255	411,827
Income tax expense at applicable tax rate	86,851	82,365
Tax effect of permanent differences:		
Donations and entertainment	715	946
Salaries and employees' welfare	291	1,081
Tax penalties	61	479
Income already subjected to final tax:		
Rent	(18,369)	(17,195)
Interest	(10,244)	(8,183)
Gain on sale of short-term investments	(1,670)	(205)
Compensation cost of share options	-	(1,602)
Impact on changes in corporate income tax rates under PMK No. 238/2008	(968)	(611)
Income tax expense - net	**56,667**	**57,075**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

12. TAXES PAYABLE (continued)

The deferred tax assets and liabilities as of December 31, 2011 and 2010 are as follows:

	2011	2010
Deferred tax assets on:		
Liabilities for employees' benefits	33,891	29,334
Deferred tax liabilities on:		
Property and equipment	20,169	19,168
Long-term rent	14,922	16,235
Unrealized gain on available-for-sale financial assets	199	1,184
Prepaid expenses	214	183
Total	35,504	36,770
Deferred tax liabilities - net	**1,613**	**7,436**

The Company's management believes that the deferred tax assets can be utilized through its future taxable income.

In 2011, the Company received several Tax Collection Letters ("STP") for income taxes under Article 21 for 2008, 2009 and 2010 and for Value Added Tax for 2008, 2009, 2010 and 2011 totaling Rp307 million. The payments of these STP are presented as part of "Operating Expenses - Taxes and Licenses" in the 2011 statements of comprehensive income (Note 17).

In 2010, the Company received several Tax Collection Letters ("STP") for income taxes under Articles 4 (2), 21 and Value Added Tax for 2007, 2008 and 2009 and Article 23 for 2003, 2007, 2008 and 2009 totaling Rp2.39 billion. The payments of these STP are presented as part of "Operating Expenses - Taxes and Licenses" in the 2010 statements of comprehensive income (Note 17).

13. SHARE CAPITAL

The shareholders and their share ownership as of December 31, 2011 and 2010 are as follows:

Shareholders	Number of Shares Issued and Fully Paid	Percentage of Ownership	Total
PT Ramayana Makmursentosa	3,965,000,000	55.88	198,250
Paulus Tumewu (President Commissioner)	260,000,000	3.66	13,000
Public (below 5% ownership each)	2,871,000,000	40.46	143,550
Total	**7,096,000,000**	**100.00**	**354,800**

14. CASH DIVIDENDS AND APPROPRIATION FOR GENERAL RESERVE

In the Annual Shareholders' General Meeting held on May 26, 2011, the minutes of which were notarized by Deed No. 13 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividends of Rp30 (full amount) per share or in total amount of Rp212.88 billion, and the appropriation for general reserve of Rp5 billion from the 2010 net income.

In the Annual Shareholders' General Meeting held on May 27, 2010, the minutes of which were notarized by Deed No. 11 on the same date of Rianto, S.H., the shareholders approved the declaration of cash dividends of Rp25 (full amount) per share or in total amount of Rp176.60 billion, and the appropriation for general reserve of Rp5 billion from the 2009 net income.

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15. REVENUES

The details of revenues are as follows:

	2011	2010
Outright sales	4,467,995	4,258,281
Consignment sales (Note 7c)	2,129,119	1,802,130
Cost of consignment sales	(1,510,956)	(1,285,243)
Commission on consignment sales	618,163	516,887
Total revenues	**5,086,158**	**4,775,168**

There are no sales to a specific customer that exceeded 10% of total revenues in 2011 and 2010.

16. COST OF OUTRIGHT SALES

The details of cost of outright sales are as follows:

	2011	2010
Beginning inventories	729,977	640,758
Net purchases	3,300,950	3,205,496
Inventories available for sale	4,030,927	3,846,254
Ending inventories	(715,843)	(729,977)
Cost of outright sales	**3,315,084**	**3,116,277**

There are no purchases from a supplier of the Company that exceeded 10% of total revenues in 2011 and 2010.

17. OPERATING EXPENSES

The details of operating expenses are as follows:

	2011	2010
Salaries and employees' welfare (Notes 7d and 20)	462,651	450,600
Electricity and energy	241,328	205,716
Depreciation (Note 9)	169,916	143,200
Rent - net (Notes 7b, 10a, 10b and 21)	167,691	137,684
Repairs and maintenance (Notes 7e and 10c)	101,931	93,170
Transportation and travel	75,460	83,666
Promotion	54,632	47,032
Store supplies	40,193	36,613
Insurance	15,994	8,249
Taxes and licenses (Note 12)	14,471	18,451
Bank expense	11.668	11,231
Security	10,941	13,512
Social security contribution	9,631	8,558
Stationeries and printing	9,081	8,027
Telecommunications	7,280	7,426

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

17. OPERATING EXPENSES (continued)

The details of operating expenses are as follows: (continued)

	2011	2010
Contributions and retributions	6,242	4,969
Professional fee	3,808	4,916
Donations and entertainment	3,575	4,729
Others	521	312
Total	**1,407,014**	**1,288,061**

18. OTHER OPERATING INCOME

The details of other operating income are as follows:

	2011	2010
Gain on sale of short-term investments - net	8,029	1,849
Gain on foreign exchange - net	1,984	-
Others - net	3,548	3,512
Total	**13,561**	**5,361**

19. OTHER OPERATING EXPENSES

The details of other operating expenses are as follows:

	2011	2010
Loss on foreign exchange - net	-	11,069
Others - net	39	-
Total	**39**	**11,069**

20. LIABILITIES FOR EMPLOYEES' BENEFITS

The Company recognized liabilities for employees' benefits amounting to Rp135.56 billion and Rp117.34 billion as of December 31, 2011 and 2010, respectively, presented in "Liabilities for Employees' Benefits" account in the statements of financial position. The related expenses amounting to Rp24.12 billion and Rp19.22 billion in 2011 and 2010, respectively, are presented as part of "Operating Expenses - Salaries and Employees' Welfare" account in the statements of comprehensive income (Note 17). The liabilities for employees' benefit were determined based on actuarial valuations performed by PT Dayamandiri Dharmakonsilindo, an independent actuary, based on its reports dated January 24, 2012 and January 17, 2011 for 2011 and 2010, respectively.

The liabilities for employees' benefits are calculated using the "Projected Unit Credit" method based on the following assumptions:

	2011	2010
Discount rate	6.5% per year	8.6% per year
Salary increase rate	7% per year	7% per year
Pension age	55 years old	55 years old
Mortality rate	CSO-1980 table	CSO-1980 table

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

20. LIABILITIES FOR EMPLOYEES' BENEFITS (continued)

The details of the net benefits expenses recognized are as follows:

	2011	2010
Current service cost	13,797	10,431
Interest expense	10,181	8,827
Amortization of past-service cost and actuarial gains - net	147	(38)
Net	**24,125**	**19,220**

The details of employees' benefits liabilities are as follows:

	2011	2010
Present value of benefit obligation	178,917	126,086
Unrecognized actuarial losses	(43,047)	(8,296)
Amortization of unrecognized past-service cost	(305)	(452)
Liabilities for employees' benefits	**135,565**	**117,338**

Movements in liabilities for employees' benefits for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	117,338	101,918
Provision during the year	24,125	19,220
Benefits payments during the year	(5,898)	(3,800)
Ending balance	**135,565**	**117,338**

21. COMMITMENTS

The Company entered into various long-term rental agreements with a related party and with third parties (Note 10b) for its certain stores and warehouses locations, expiring on various dates from 2012 until 2037.

In addition, the Company entered into rental agreements with third parties to sub-lease some of the store spaces. The total rent income from these agreements of Rp97.22 billion in 2011 and Rp85.98 billion in 2010 is presented as deductions to rent expense in operating expenses (Note 17).

22. STOCK BASED COMPENSATION

In the Extraordinary Shareholders' General Meeting held on June 12, 2002, the minutes of which were notarized by Deed No. 11 on the same date of Ny. Rukmasanti Hardjasatya, S.H., the shareholders approved to issue new shares at the maximum of 5% from the total shares issued and fully paid or 70,000,000 shares with par value of Rp250 (full amount) per share through Employees' Share Option Plan ("ESOP").

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

22. STOCK BASED COMPENSATION (continued)

In accordance with the decision of ESOP committee, the share options are subject to the following terms and conditions:

- Share options will be allocated based on the decision of the ESOP committee after considering all the recommendation from the Company's directors
- Share options will be exercised at Rp3,775 (full amount) per share
- The employees that have the right to receive share options are permanent employees from level 1 to level 4 and have been working in the Company at least 1 (one) year and with excellent performance rating based on the Company's evaluation
- Each option of the employee can be converted into 500 shares of the Company
- If employees violate the Company's regulation or committed criminal actions, then the options will be cancelled
- If employees resign or retire, then the option will be cancelled
- Term of share options is 7 years starting from November 1, 2003, and will expire on November 1, 2010.

Based on the decisions of ESOP committee and the above terms and conditions, on August 8, 2003, the Company has allocated 64,000 options to employees to purchase 32 million shares of the Company from the planned 70 million shares. Total compensation cost of share options of Rp20.03 billion is presented as part of "Share Options" account in the equity section in the statements of financial position.

In relation with the stock split of the Company's share capital from par value of Rp250 (full amount) per share to Rp50 (full amount) per share in 2004, the terms and conditions of the share options as stated above were amended likewise as follows:

- Share options allocated increased from 32 million shares to 160 million shares with par value of Rp50 (full amount) per share. Accordingly, each option can be converted into 2,500 shares of the Company.
- Share options can be exercised at Rp755 (full amount) per share.

The fair value of each option was estimated on the grant date using the "Binomial Option Pricing" model using the following assumptions:

Dividend yield	: 3%
Volatility of expected price	: 44.42%
Risk free interest rate	: 10.50% - 10.94%
Option period	: 7 years

On July 30, 2010, 12,800 options (representing 32,000,000 shares) were exercised by the employees and the remaining of 25,600 options cannot be executed due to the term of share options already expired on November 1, 2010.

23. EARNINGS PER SHARE ("EPS")

The computation of basic earnings per share in 2011 and 2010 as follows:

	2011	2010
Income for the year	377,588	354,752
Weighted average number of shares outstanding	7,096,000,000	7,077,589,041
Basic earnings per share (full amount)	**53.21**	**50.12**

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

24. SUPPLEMENTARY CASH FLOWS INFORMATION

	2011	2010
ACTIVITIES NOT AFFECTING CASH FLOWS		
Reclassification of assets not used in operation to property and equipment	1,733	-
Increase (decrease) in fair value on available-for-sale financial assets - net	(3,579)	13,983
Reclassification of advances for purchases of property and equipment to property and equipment	-	109,173
Write-off of property and equipment	-	2,083

25. SEGMENT INFORMATION

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", the following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources:

	2011				
	Sumatera	Java, Bali and Nusa Tenggara	Kalimantan	Sulawesi and Papua	Total Segment
Total revenues	1,283,082	2,931,424	536,315	335,337	5,086,158
Income					
Segment income	336,590	887,545	164,809	102,309	1,491,253
Unallocated operating expenses					(1,113,671)
Income from operations					377,582
Financing income					56,673
Income before income tax					434,255
Income tax expense-net					(56,667)
Income for the year					**377,588**
Segment assets	740,532	1,278,514	282,618	134,333	2,435,997
Unallocated assets					1,323,046
Total assets					**3,759,043**
Segment liabilities	1,716	1,070	510	42	3,338
Unallocated liabilities					914,308
Total liabilities					**917,646**
Capital expenditures	8,618	128,599	26,824	2,438	166,479
Depreciation and amortization	84,766	141,880	38,056	15,120	279,822

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

25. SEGMENT INFORMATION (continued)

In accordance with PSAK No. 5 (Revised 2009), "Operating Segments", the following segment information is prepared based on the information used by management in evaluating the performance of each business segment and in determining the allocation of resources: (continued)

	2010				
	Sumatera	**Java, Bali and Nusa Tenggara**	**Kalimantan**	**Sulawesi and Papua**	**Total Segment**
Total revenues	1,193,211	2,804,146	458,239	319,572	4,775,168
Income					
Segment income	323,903	826,471	155,605	102,059	1,408,038
Unallocated operating expenses					(1,042,916)
Income from operations					365,122
Financing income					46,705
Income before income tax					411,827
Income tax expense-net					(57,075)
Income for the year					**354,752**
Segment assets	797,936	1,153,333	290,524	103,512	2,345,305
Unallocated assets					1,140,677
Total assets					**3,485,982**
Segment liabilities	2,771	2,688	718	1,129	7,306
Unallocated liabilities					798,240
Total liabilities					**805,546**
Capital expenditures	189,661	83,920	36,700	43,745	354,026
Depreciation and amortization	78,273	141,604	18,780	12,196	250,853

The Company determines its business segment based on the products sold consisting of fashion and accessories and non-fashion items.

2011	**Fashion and Accessories**	**Non-Fashion Items**	**Total Segment**
Outright sales	2,231,474	2,236,521	4,467,995
Commission on consignment sales	600,604	17,559	618,163
Cost of outright sales	(1,392,126)	(1,922,958)	(3,315,084)
Gross profit	**1,439,952**	**331,122**	**1,771,074**

2010	**Fashion and Accessories**	**Non-Fashion Items**	**Total Segment**
Outright sales	2,158,314	2,099,967	4,258,281
Commission on consignment sales	484,425	32,462	516,887
Cost of outright sales	(1,320,224)	(1,796,053)	(3,116,277)
Gross profit	**1,322,515**	**336,376**	**1,658,891**

26. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

As of December 31, 2011, the Company has monetary assets and liabilities denominated in foreign currencies as follows:

	In Millions of Rupiah Equivalent
Assets	
Cash and cash equivalents	
United States Dollar (US$3,582,981)	32,491
Singapore Dollar (Sin$126,615)	883
Time deposits	
United States Dollar (US$8,623,682)	78,200
Short-term investments	
United States Dollar (US$9,947,585)	90,205
Accounts receivable - others	
United States Dollar (US$234,309)	2,125
Total	203,904
Liabilities	
Accounts payable - others	
United States Dollar (US$140,058)	1,270
Singapore Dollar (Sin$4,808)	34
Total	1,304
Net monetary assets	**202,600**

On March 16, 2012, the exchange rates are Rp9,178 (full amount) per US$1 and Rp7,280 (full amount) per Sin$1.

If the net monetary assets in foreign currencies as of December 31, 2011 are converted to Rupiah using the exchange rates as of March 16, 2012, the net monetary assets will increase by Rp2.49 billion.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company’s main financial instruments comprise of cash and cash equivalents, time deposits, short-term investments, accounts receivable - trade, accounts receivable - others, security deposits, other non-current assets - loan to employees, accounts payable - trade, accounts payable - others and accrued expense.

a. Risk Management

The Company is exposed to market risk, credit risk and liquidity risk. Interest to manage any kind of risks have been significantly increased by considering the volatility of financial market both, in Indonesia and international. The Company's senior management oversees the risk management of these risks.

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

The Company's senior management reviews and agrees policies for managing each of these risks which is summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows a financial instrument will fluctuate because of changes in market prices. Market prices comprise two type of risk: interest rate risk and foreign currency risk. Financial instruments affected by market risk include cash and cash equivalents, time deposits, short-term investments, accounts receivable - others, security deposits and account payable - others.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. The Company's exposure to the risk of changes in foreign exchange rates related primarily to cash and cash equivalent, time deposits, short-term investments, accounts receivable - others, security deposits and accounts payable - others which are denominated in United States Dollar and Singapore Dollar. The Company manages this risk by placing their investment selectively in financial instruments which provide high return on investment, so that the fluctuation of foreign exchange rate risk can be compensated with the return on investments which denominated in several foreign currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the Rupiah exchange rate againts foreign currencies, with asumption that all other variables held constant, the effect to the income before corporate income tax expense is as follows:

	Change in Rupiah Rate	Effect on income before tax expenses
December 31, 2011		
United States Dollar	+ 2%	4,035
Singapore Dollar	+ 2%	17
United States Dollar	- 2%	(4,035)
Singapore Dollar	- 2%	(17)

Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company's financial instruments that have potential credit risk consist of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivables - others, security deposits and certain investments. Total maximum credit risk exposure equal to the carrying value of these accounts.

For credit risk related with banks, only banks with good predicate were chosen. For financial institutions, the management already made criteria to only engage with experienced and trusted investment managers. In addition, the Company's policy is to not restrict the exposure to only 1 (one) certain institution, so that the Company has cash and cash equivalents, time deposits and investments in several financial institutions.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

27. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

a. Risk Management (continued)

The Company's senior management reviews and agrees policies for managing each of these risks which is summarized below: (continued)

Liquidity risk

Liquidity risk is defined as a risk when the Company will find difficulties in order to acquire the fund to fulfill their commitments against the financial instruments.

The Company manage their liquidity risk by maintaining sufficient cash and cash equivalents and marketable securities to enable the Company fulfill the Company's commitments to support the Company's business activities. In addition, the Company continuously controls the projection and actual cash flows and also controls the maturity of financial assets and liabilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual payments.

	< 1 year	1 - 2 years	2 - 3 years	> 3 years	Total
Account payable - third parties					
Trade	691,049	-	-	-	691,049
Others	18,106	-	-	-	18,106
Accrued expenses	27,236	-	-	-	27,236
Total	**736,391**	**-**	**-**	**-**	**736,391**

b. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

In addition, the Company is also required by the Corporate Law effective August 16, 2007 to contribute to and maintain a non-distributable reserve fund until the said reserve reaches 20% of the issued and fully paid share capital. This externally imposed capital requirements are considered by the Company at the Annual General Shareholders' Meeting ("AGM").

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, issue new shares or raise debt financing. No changes were made in the objectives, policies or processes as of December 31, 2011 and 2010.

The Company's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost.

(Expressed in Millions of Rupiah, Unless Otherwise Stated)

28. FINANCIAL INSTRUMENTS

The following table sets out the carrying values and estimated fair values of the Company's financial instruments as of December 31, 2011 and 2010.

	2011		2010	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets				
Loans and receivables				
Cash and cash equivalents	927,030	927,030	796,184	796,184
Time deposits	119,700	119,700	54,821	54,821
Accounts receivable - third parties				
Trade	4,227	4,227	2,415	2,415
Others	14,567	14,567	17,745	17,745
Security deposits	1,224	1,224	1,211	1,211
Other non-current assets - loan to employees	8,176	7,841	10,210	9,576
Available-for-sale financial assets				
Short-term investments	228,831	228,831	234,938	234,938
Total	**1,303,755**	**1,303,420**	**1,117,524**	**1,116,890**
Financial Liabilities				
Financial liabilities measured at amortized cost				
Accounts payable - third parties				
Trade	691,049	691,049	603,190	603,190
Others	18,106	18,106	21,002	21,002
Accrued expenses	27,236	27,236	20,632	20,632
Total	**736,391**	**736,391**	**644,824**	**644,824**

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Financial instruments presented in the statements of financial position are carried at the fair value, otherwise, they are presented at carrying values as either these are reasonable approximation of fair values or their fair values cannot be reliably measured. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a. Financial instruments carried at fair value or amortized cost

   Short-term investments are carried at fair value using the quoted prices published in the active market. Security deposits and other non-current assets - loan to employees are carried at amortized cost using the effective interest rate method and the discount rates used are the current market incremental lending rate for similar types of lending.

b. Financial instruments with carrying amounts that approximate their fair values

   The fair value of cash and cash equivalents, time deposits, accounts receivable - trade, accounts receivable - others, accounts payable - trade, accounts payable - others and accrued expenses approximate their carrying values due to their short-term nature.

29. COMPLETION OF THE FINANCIAL STATEMENTS

The Company's financial statements were completed and authorized for issuance by the Company's Board of Directors on March 16, 2012.